

## THE EFFECTS OF GLOBALIZATION ON LOCAL COMPANY IN MANADO: A CASE STUDY OF CV. CENTRAL BUKIT MORIA MANADO

by:

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### ABSTRACT

Globalization is a leading concept which has become the main factor in business life during the last few decades. This phenomenon affects the economy, business life, society and environment in different ways, and almost all corporations have been affected by these changes. On a local level, globalization has dramatically changed the nature of business. Many smaller, local companies have been pushed out of business by their TNC competitors. It is important to know the effects of globalization on local companies in order to create a management strategy that help the local company survive from the power of globalization. The research is conducted in qualitative research design and the data are gathered with unstructured interviews with four respondents. The data are analyzed and it is found that there are two kinds effects of globalization that affect the company. The positive effects and the negative effects and the company strategies to face the globalization.

**Keywords:** *globalization, local company, management strategy*

### INTRODUCTION

#### Research Background

The world is in a dynamic state of transition and transformation. The whole world is now moving towards an integration of a single global market, referred to as the Global Village in which everyone is free to live, sell and buy. This process of transition and transformation is called Globalization. People around the globe are more connected to each other than ever before. Information and money flow more quickly than ever. Goods and services produced in one part of the world are increasingly available in all parts of the world. International travel is more frequent and international communication is common place. Globalization is an economic tidal wave that sweeping over the world. Globalization has both positive and negative consequences; it is positive to the development as it will give rise to new industries and more jobs in developing countries and it is negative in that it will force poorer underdeveloped countries of the world to do whatever the big developed countries tell them to do.

Keegan (2002:533) stated that the world economy has undergone revolutionary changes during the past 50 years. Perhaps the greatest and most profound change is the emergence of global markets, global competitors, and winners and losers in global competition. The six major changes that will continue well into this century are: World growth, the world economy dominates, end of the so-called trade cycle decision rule, free markets rule the world, accelerating growth of global markets, the rise of the internet and information technology. Kotabe and Helsen (2005:13) stated that before entry into international markets, many companies focus solely on their domestic market. Their marketing strategy is develop based on information about domestic customer needs and wants, industry trends and economic, technological and political environments at home. When those companies consider competition, they essentially look at domestic competition.

The develop country like Indonesia has gone a long way in liberalizing its economy, but the task is far from complete. Globalization has given the government a strong justification for undertaking market- oriented reforms that can help maintain high and sustainable rates of exports necessary for strong economic growth. The effects of globalization has entered Manado. There are so many foreign companies decided to open businesses in Manado. Not just business but since the globalization era began, the flow of multinational company's products are flowing in Manado makes the customer choose the foreign brands rather than local brands.

The local companies in Manado are having trouble in maintaining their business. In the past few years, there are some local companies in Manado that went bankrupt and unfortunately have to close their business because the competition went higher, the standards went higher and there are so many doubts in the costumer's mind about the quality of local brands. In "The Communist Manifesto", Karl Marx famously warned that small local business will inevitably be wiped out by large multinational companies in a form of imperialist capitalism. According to him, the destruction of local business lead to the loss of local culture, and the rise of a singular anonymous corporate culture which only varies slightly from country to country.

## Research Objectives

1. To analyze the local companies challenge to face globalization.
2. To analyze the effects of globalization to ocal companies in Manado.
3. To analyze the management strategy of the company to face the globalization.

## THEORITICAL REVIEW

### Theories

#### Global Marketing

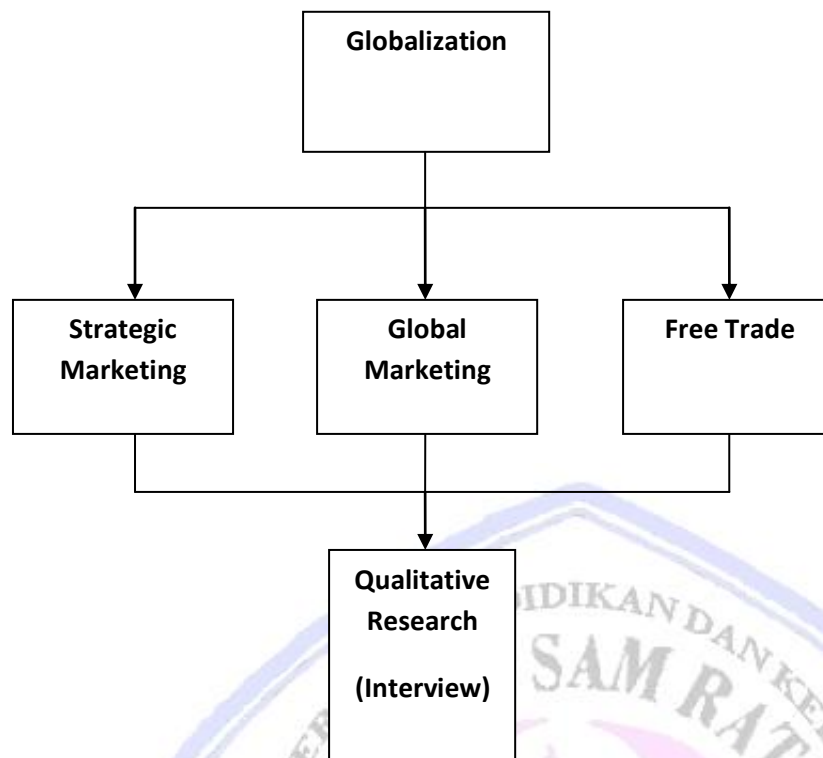
Kotabe et al (2005:20) A marketing approach in which a company strives for efficiencies of scale by developing a standarised marketing mix across national, regional & global markets. Several factors are changing the landscape of international marketing. The saturation of domestic market has forced many companies to seek marketing opportunities beyond their national boundaries. Local companies can be seen seeking to sell their products and services in new markets both in develop countries and emerging economies.

#### Free Trade

Kotabe and Helsen (2005:168) stated that free trade refers to a situation where a government does not attempt to influence through quotas or duties what its citizens can buy from another country, or what they can produce and sell to another country. Albaum et al (2008:5) The international market place has become increasingly turbulent at the same time as globalization has progressed. China has emerged as a world class manufacturing center, with low production costs and rapidly increasing industrial capabilities. Both trade and investment were accelerated when it joined the world trade organization in 2001. It's increasing exports and lower cost competition for exports in other nations, and are also creating additional competition for domestic manufacturers in countries throughout the world. International trade consist of exports and imports. Ball et al (2010:19) Stated that Free trade enhances socio economic development and also promotes more and better jobs.

#### Previous Research

Herrmann (2012) found that by involving in global marketing. Global brand identity development needs process that establishing brands of products, the firm, and services locally and worldwide. In establishing a global brand, the brand proposition (functional benefits, emotional benefits and self-expressive benefits are identified, localized and streamlined to be consistent with a local, national, international and global point of view. Rajagukguk (1998) found that the brand developed needs to be credible. By entering the world of global marketing, the company needs strategic management to keep the company stabilized. Manolica and Cuza (2013) found that by entering the globalization free trade became the new trends in economic world. free trade between countries brings about an optimum allocation of the productive resources of the world, leading to an enhancement of real income of the trading countries. globalization is link to the global marketing, free trade, and strategic management that also link to the effects of globalization itself to the local company.



**Figure 1. Conceptual Framework**

*Source: Theoretical Review*

## RESEARCH METHOD

### Type of Research

This research is based on collecting the interview's perspective and arguments using qualitative approach that will generalize the data collection and use descriptive method in writing the report. The purpose is to analyze the respondents point of view and statement or opinion about the phenomenon. The goal of this research is to discover the effects of globalization on CV. Central Bukit Moria Manado.

### Place and Time of Research

This research is located in the City of Manado. The main commodity of City of Manado is from plantation, agriculture, and services sector. The interview was taken place in Manado city, all of the interview are taken on July 5<sup>th</sup> – 10<sup>th</sup> 2013. The interviewees are the employee of CV. Central Bukit Moria Manado.

### Research Procedure

The steps of this research conducted are as follows:

1. Propose a letter of permission to collect data from administrative staff at the faculty
2. Devise the questions for the interview
3. Collect data of informant
4. Contact the informant candidates, introduce the research objectives, the data collected through interview and make an appointment with them for interview.
5. Do the interview with the informants to get information.
6. Collect all data needed in this research.

## **Population and Sample**

The population that is mainly observed in this research is all the of CV. Central Bukit Moria. In this research, the samples that will be used are peoples or in this case the director and managers in CV. Central Bukit Moria who already have an experience by working in CV. Central Bukit Moria more than two years.

## **Data Collection Method**

Data source in this research consist of primary data and secondary data. Primary data originated by the researcher specifically to address the research problem through the data collection technique. In secondary data, several sources such as books that dominated used in theoretical review, several articles to compare and analyze the previous research about cognitive dissonance, and relevant literature from library and internet about another key words that contain in this research.

## **RESULT AND DISCUSSION**

### **Result**

There are various effects of globalization to CV. Central Bukit Moria Manado, In this case the researcher is curious to investigate the effect whether the effect is negative or positive to the company.

### **The Negative Effects of Globalization**

#### **1. Flooded of Foreign Products**

The flooded of foreign products can cause the company decreased the sales because there are too many options for the customers. Nowadays, the customer prefer the products from multi-national companies because on the customer's mindset, the foreign brands are always better than local brands. According to the informant, the customer prefers the electric mosquito repellent that are produced by the foreign companies rather than the traditional mosquito coils that the CV. Central Bukit Moria Produced. Customers have a large multitude of choices in the market and this affects their behaviors. they want to acquire goods and services quickly and in a more efficient way than before. They also expect high quality and low prices. All these expectations need a response from the company, otherwise sales of company will decrease and they will lose profit and market share. A company must always be ready for price, product and service and customer preferences because all of these are global market requirements.

#### **2. The Competition Went Higher**

Globalization leads to increased competition. This competition can be related to product and service cost and price, target market, technological adaptation, quick response, quick production by companies etc. When a company produces with less cost and sells cheaper, it is able to increase its market share. Globalization has created a market dynamic that fosters new competition, demands higher levels of efficiency and requires true expertise in supply chain optimization. With Globalization, the competition with foreign companies and also Indonesian company that stands on foreign capital are even harder because they conquer the markets. Their competitors such as the companies that produced brands Vape, baygon, tiga roda and hit are hard to be defeated considering the popularity of the brands.

#### **3. The Foreign Companies Control over Advertising Media**

Businesses use advertising to accomplish varied goals, and companies place those ads in diverse media. Besides advertising products in traditional venues such as newspapers and general interest magazines, businesses advertise in media that reach specific markets. The foreign companies using a lot of advertising media to promote their products that's why they conquer the advertising media and give no media room for the local companies. The east western values entered the Indonesia through the internet, television, and print media are widely imitated by the community causing the costumer to prefer the products from foreign company.



#### **4. Serious Impact to The Sustainability of The Company**

By the foreign companies entering and conquering the world of business, it gave such a ups and downs situation for CV. Central Bukit Moria. The company have struggled to survive the globalization situation. Nowadays, the costumer prefer the electric mosquito repellent. They prefer the foreign brand and switch their option to modern brands instead of local brands. That's why, in the past few years the company experience the ups and downs and also hard times to maintain their products.

#### **5. Decreasing of Sales Rate**

The company sometimes have problem in dealing with the globalization situation such as the decreasing of sales rate because the customer are infected by the foreign company's product because, she have to admit that the foreign companies has control over the media whether through the internet, television, print ad and many more.

### **The Positive Effects of Globalization**

#### **1. Motivate**

One of the respondent stated that they're not afraid, they're ready for any challenge and they will do their best to improve all of the aspects in the company in order to be ready to face globalization. The company improve the quality of the product, improve their factory machine, and change their management strategy in order to become better and to compete with another company. Another benefits of open trade and market expansion of multinational companies create competition among local and foreign brand and develop the market. In addition that people would acquire more benefits in term of quality product. One of the respondent also said that globalization is a challenge. "There's always a way out of a problem. Instead of stressing the bad impact of globalization let's just challenge the globalization. See the opportunity not the problem. That is proven that the company are more motivated and excited to face the challenge of globalization and makes them do better.

#### **2. Greater Interchange of Knowledge**

the company can have a chance to learn the knowledge from the other foreign companies from the introduction of new products and services from another countries and cultures. With the introducing of much more new products, the company can learn about the industrial development from another countries and Greater globalization also means that there is greater interchange of knowledge. This can create better relationships and better relations with other countries and companies.

#### **3. Wider Business Relations**

One of the advantage that the company gets is globalization wider their range of relations. Globalization makes the access to another country easier and more flexible and with globalization, the world of business are become more wider.

#### **4. Enables the Company to Freely Engage in Economic Activities**

Globalization refers to processes that increase world-wide exchanges of national and cultural resources. Advances in transportation and telecommunications infrastructures, including the rise of the telegraph and it's posterity the internet, and the free trade that can make the business partnership become easier and the company admit that it gives a very important advantage for the company because the company itself cooperate with japan company to buy their high technology machines for producing the products because the access to another country became easier and more flexible.

### **The Company Strategies**

David stated that (2009:83) a vision statement directs the association toward future goal or achievement in the long term and provides the foundation for developing a mission statement. An organization's mission is referred to its reasons for existence and reflects the organization's basic purpose as a supplier of goods and/or services. After the researcher describe about the positive and negative effects, the researcher also found the strategy that CV. Central Bukit Moria do in order to face the challenge and survive the globalization. And those strategies are:

## **1. Promotion**

Promotion is an essential element in the marketing mix. It is a tool used by businesses, both large and small, to inform, persuade and reminds customer about the products and services they have to offer. Without business promotion, companies would be stagnant and lack substantial growth because their brands would have low visibility in the market.

## **2. Adaptability**

Business success requires the ability to adapt to changing situations. Nothing ever goes as planned. Using the habit of adaptability allows business owners to respond to circumstances with the ability to change course and act without complete information. Being flexible allows us to respond to changes without being paralyzed with fear and uncertainty. That's why the company choose to do the adaption according to the current situation.

## **3. Opportunity Focused**

Problems are a regular part of business life. Globalization, Staff issues, customer misunderstandings, cash crunches- the list is endless. To achieve business success, look at both sides of the coin. Every problem has an opportunity. Being opportunity focused makes the game of business fun and energizing.

## **4. Selective in Hiring Employees**

The company have to examine and adapt to the type of employee who is more valuable to the organization. The company also are more selective in hiring employees, they are looking for the employee with a high standard, good attitude, and hard worker. Hiring an excellent employee to the company can also make the company running more excellent.

## **5. Affordable Price**

The company seek the customer from all range of class. That's why the company sells their product with affordable price, they maintain their originality, higher the quality and keep the products affordable to buy.

## **6. High Technology**

The technology constantly evolves. This causes companies to be extremely adaptive to meeting market windows and to be diligent in market research to know what customers want from upgrades and future iterations. The rapid evolution of online retailing in the early 21st century was due in large part to competition and customer expectations that providers have an online presence. That's why the company imported the machines from japan which is quiet well-known for the quality of their technology.

## **7. Innovation**

The consumer in society is one of the biggest factors that necessitates change and adaptation in the business world. The company have to always find new innovation. The company will always stay there if they never change that's why the company innovate with creating new products such as manguni mosquito coils with lavender fragrance.

## **Discussion**

The negative effects of globalization are the competition went higher, flooded of foreign products, The foreign companies control over advertising media, serious impact to the sustainability of the company, and decreasing of sales rate. The flooded of foreign products can cause the company decreased the sales. Globalization leads to increased competition. With globalization, the competition with foreign companies and also Indonesian company that stands on foreign capital are even harder because they conquer the markets. The foreign companies using a lot of advertising media to promote their products. That's why they take control over

almost all of the advertising media and leave no room for the local companies. That's why, by the foreign companies entering and conquering the world of business, it gave such a ups and downs situation for CV. Central Bukit Moria Manado. The positive effects of globalization on CV. Central Bukit Moria are motivate, greater interchange of knowledge, wider business relations, and enables the company to freely engage in economic activities. The globalization motivates the company to be better in every aspects and globalization also give the opportunity for the company to learn the knowledge from another foreign companies. The globalization also give an advantage to wider the company's business relations. Globalization make the company to be more freely engage in international economic activities.

It is found that the management strategies of CV. Central Bukit Moria in order to face the globalization. The strategies are: Promotion which is the essential element in the marketing mix and play a very important role in increasing the sales, second is adaptability because a successful business requires the ability to adapt to changing situations, third is opportunity focused. Every problem has an opportunity. Being opportunity focused makes the game of business fun and energizing. Fourth the company is more selective in hiring employees. Fifth, the company sells their products with affordable price. Sixth, using high technology machines to produce a high quality products and the last, innovation. The company always have to create a new innovation according to customer needs.

The previous research by Ali, Awdini and Adan (2012) investigates the effect of globalization on local industries in selected manufactures the researchers attempt to examine three objectives the first objective of the study is to examine globalization and its effects on local industries of Mogadishu manufactures. The second objective that the researchers try to investigate is to determine the major problems that local industries of Mogadishu manufacturing sector has with the globalization. The third objective of the study is to investigate the techniques used by local manufactures to deal with globalization effects. The process of globalization has submerged the growth and development potential of underdeveloped economies by establishing rules and principles that are in conflict with the requisite conditions of their evolutionary process. In addition, this has been detrimental to the effective use of economic resources of the underdeveloped economies and regenerating a cycle of underdevelopment and its concomitants such as poverty, famine, health hazards, and insecurity, among others.

## CONCLUSION AND RECOMMENDATION

### Conclusion

The negative effects of globalization are the competition went higher, flooded of foreign products, The foreign companies control over advertising media, serious impact to the sustainability of the company, and decreasing of sales rate. The positive effects of globalization on CV. Central Bukit Moria are motivate, greater interchange of knowledge, wider business relations, and enables the company to freely engage in economic activities. the management strategies of CV. Central Bukit Moria in order to face the globalization are promotion, adaptability, opportunity focused, selective in hiring employees and keep the products price affordable.

### Recommendation

In brief here are the recommendation suggested so CV. Central Bukit Moria can be successful in dealing with globalization. First is to cultivate inner networks. Having an inner network of five people who have a network of five more, grows the network exponentially to keep the company steady in a globalization world. Second, Customer centric. Understanding the customers wants and needs provides the business with a greater opportunity to earn a loyal customer base even there are so many foreign products. Third, Humble honesty. Being open and honest about the business creates growth as an individual and as a company. Don't lie about the products to the customers. Fourth, Opportunity focused. Being opportunity focused makes the game of business fun and energizing especially in globalization world. Fifth, finding a better way. Formulate the habit of finding a better way to make the business more productive and always keep up to date with the trends nowadays.

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